

Your Life

Learning **Planning** Living



Pension Scheme and Provident Fund

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ISASA PENSION SCHEME AND ISASA PROVIDENT FUND REQUEST FOR REVIEW OF NORMAL RETIREMENT AGE

Each school decides on the retirement age included in the employment contract with its employees. The retirement age is usually **between 60 and 65 years**. In terms of the General Rules of the ISASA Pension Scheme and Provident Fund ('ISASA Funds'), a Participating Employer (school) selects its normal retirement age. **The retirement age for 76% of the schools participating in the ISASA Funds is 63.**

A recent Deloitte study found that 48% of baby boomers (born between 1946 and 1964) expect to keep working past age 65, and 13% believe they will work into their 70s. The reasons for this are twofold. Members realize they cannot afford or are not ready to retire yet. The traditional view of retirement is changing, and some members are semi-retiring by taking on contractual work to improve their retirement savings. **The ISASA Funds currently have 166 members who still contribute to the Fund, although they have passed the normal retirement age selected by their school.**

Once a member reaches normal retirement age, the death, disability, and funeral insurance cover will cease. If the school keeps the member on the Fund, the contributions for death, disability, and funeral insurance are directed to retirement savings.

The main objective of the ISASA Funds is to provide a benefit to a member on retirement. The Trustees are constantly looking at ways to improve member retirement outcomes. They have used Old Mutual Corporate's OnTrack™ tool to measure the Funds' effectiveness in delivering retirement outcomes for its **defined contribution members**.

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Trustees: ME Acutt, V Eddie, C de Jager, M Ndlovu, N Burger, L Lalla, J Liackman (Chairman), H Matthee, S Kroon, E Visser, D Wattam, K van Winkel, S Hauptfleisch
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Alternate Trustees: P York, D Malinda, J Cameron, S Baloyi, M Shika, M Bandey

The OnTrack™ rating measures what proportion of a Fund's members have accumulated sufficient assets to put them OnTrack™ to achieve a pension of 70% of their final salary just before retirement.

The Board assessed the results of the OnTrack™ rating to determine the actions to improve the effectiveness of the Funds in delivering sound retirement outcomes for members. Many “low contribution” schools have received an OnTrack™ Report with suggestions on improving member retirement outcomes, **including increasing the normal retirement age.** Low contribution schools are schools that contribute at the minimum level of the total contribution of 9% of pensionable salary, per the Fund Rules.

The Board also analysed the Old Mutual Corporate 2021 Umbrella Fund Survey. This survey sample consisted of three umbrella funds with 6 000 employers across all industries in South Africa, with 520 000 active members, 120 000 pension fund, and 400 000 provident fund members, with over R100 billion in retirement savings.

These survey results indicate that **51% of the members of these participating employers have a weighted average normal retirement age of 65.**

The Board compared the ISASA Funds' membership to the Umbrella Fund survey. The ISASA Funds consist of two umbrella funds. The Pension Fund is a defined benefit (Part I) and defined contribution (Part II) component. The Provident Fund is a defined contribution fund.

ISASA FUND MEMBERSHIP ON 31 DECEMBER 2021			
	ISASA Pension PI	ISASA Pension PII	Provident Fund
Contributing schools	23	85	38
Total members	200	6680	1228
Contributing members	194	6605	1221

While the schools have a range of normal retirement ages from 60 to 65, **only 16.1 percent of the active members have a retirement age of 65. Most schools in the ISASA Funds have elected a retirement age of 63.** As per the OnTrack™ rating for the defined contribution members, **extending the normal retirement age to 65 will be one way to improve retirement outcomes for members (in many instances, quite significantly).**

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This means the death, disability, and funeral insurance will be extended to age 65. There will be no material impact on the risk rates. Extending the retirement age for the Pension Part I, members will have a financial impact on the schools, and the retirement benefit formulae must be considered.

ISASA PENSION AND PROVIDENT FUND MEMBERSHIP BASED ON RETIREMENT AGES					
NRA	Pension Part I	Pension Part II	Provident	Total	Percentage
60	6	426	21	453	5.6%
61	0	15	0	15	0.2%
62	0	33	0	33	0.4%
63	179	5094	821	6094	76.0%
64	0	63	31	94	1.2%
65	9	955	331	1295	16.1%
Other	0	19	17	36	0.5%

CALL TO ACTION

Schools are encouraged to reconsider their **retirement age and contact the undersigned parties** for further assistance.

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